



**Statement Of
Andrew L. Stern
International President
Service Employees International Union
Before The
U.S. Trade Deficit Review Commission
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ANDREW L. STERN
International President

BETTY BEDNARCZYK
International Secretary-Treasurer

ANNA BURGER
Executive Vice President

PATRICIA ANN FORD
Executive Vice President

ELISEO MEDINA
Executive Vice President

PAUL POLICICCHIO
Executive Vice President

SEIU welcomes the opportunity to share our perspective on the U.S. trade situation and the service sector. SEIU has 1.3 million members who are employed in health care, public services, and building service. They work in diverse occupations ranging from physicians to janitors and are united in their desire for economic security for themselves and their families. SEIU believes that a bold, new approach to trade policy is needed to ensure that our economic prosperity continues and is broadly shared.

We Need to Reduce Our Trade Deficit

Effective trade policy is critical to the economic security of working Americans. The present size of our goods and services trade deficit -- \$27 1.3 billion in 1999 -- raises a large red flag. This is our largest imbalance ever and it appears to be structural rather than the result of temporary factors. Some economists minimize this trade deficit, saying that it is not significant and, besides, it will decline through self-correcting market forces. However, instead of getting smaller, it grows larger year by year. More and more people are wondering: How big is too big?

SERVICE EMPLOYEES
INTERNATIONAL UNION
AFL-CIO. CLC

1313 L Street, N.W.
Washington, D.C. 20005
202.898.3200
TDD: 202.898.3481
www.seiu.org

health and pension benefits than jobs in the service sector. The quality of jobs gained and lost must be taken into account in the development of trade policy.

Current Trade Policy is Ineffective

Current trade policy has failed to meet the challenge as indicated by the size of our trade deficit, currently running at three percent of gross domestic product. Our policy of opening our markets and hoping for the best has led to larger, not smaller, trade imbalances. Our trade deficits are most severe and chronic with those countries with whom we have apparently pursued the most aggressive market-opening policies: Mexico, China and Japan.

The Future of U.S. Trade Policy

SEIU believes that we need a fresh approach to trade. **No** one is happy with the current state of trade policy in the United States. However, a better trade policy can only come about when we as a nation can speak with one voice in the arena of international economic relations.

Unions are not opposed to international trade and investment. Union members buy imported goods and services and produce exports. We travel abroad. We provide services to foreigners visiting the United States. Our pension funds are invested in every corner of globe.

Unions are opposed to being shut out of the trade policy-making process. The framers of the Constitution wisely included the requirement that treaties be adopted by a two-thirds majority of the Senate because they knew that changes in relations with foreign countries were too important to be rammed through on a “50 percent plus one” basis. Successful international relations, including trade and investment policies, require clear national consensus.

Reducing Income Inequality

The symbolic value of job loss for workers is increased by the growing income inequality in our society, which threatens displaced individuals with downward mobility. Average real earnings have still not recovered their 1973 level.

One of the big differences between the United States and Europe is the degree of commitment to moderating income inequality. Accordingly, public acrimony over trade policy is rare in European countries. Indeed, conflict over trade policy seems to have risen along with income inequality in the United States.

Income inequality can be reduced by restoring the value of the minimum wage and promoting collective bargaining as well as through more progressive tax policy. This would also help to ease the burden of adjustment for laid-off workers and reduce anxiety about potential job loss among other workers.

Public Services

A strong public sector is also vital to ameliorating the effects of trade-related dislocations that are typically localized. Social insurance programs redistribute resources across regions. When factories close, programs like Medicare and Medicaid cushion the impact on local health care facilities.

Public services also play a crucial role in ensuring the competitiveness of our export industries. The public service educates our skilled workforce and provides the modern, efficient transportation infrastructure that is vital to our economic success.

For A New Approach to Trade Policy

The present stalemate in trade policy is unacceptable and dangerous. The causes of our trade imbalance are complex and vary from country to country. The size of the deficit places a large question mark over our future economic prosperity.

We need to increase exports, both by lowering barriers to our goods and services as well as ensuring that foreign workers can afford our products. Simply throwing open our market to imports and hoping for the best isn't good enough, as the current trade imbalance demonstrates.

Instead of progressing toward a consensus-based approach to trade policy, we appear to be moving in the opposite direction. AFL-CIO President John Sweeney and two other union leaders recently resigned from the Advisory Committee on Trade Policy and Negotiations to protest the announcement by the group's chairman that the sole item on this year's agenda would be promoting the administration's position on China's accession to the World Trade Organization.

It's not too late. We can develop a national consensus for an effective trade policy if we can ensure that the interests of all of society's stakeholders are taken into account as we write new rules for the global economy.